

## Message Text

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ORIGIN AF-18

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DRAFTED BY AF/C:WHSIEFKEN:LJM

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FM SECSTATE WASHDC

TO AMEMBASSY KIGALI

INFO USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EGEN

SUBJECT: WERTHEIM TEA INVESTMENT PROPOSAL

REF: (A)EC BRUSSELS 3220 (B) KIGALI 280

1. CONCERNING THE COMMENTS BY THE FED CITED REFTTEL A, IT SHOULD BE NOTED THAT ARTICLE 9 IN THE LETTER OF INTENT STIPULATES THAT THE COMMERCIAL COMPANY UNDER WERTHEIM CONTROL WILL HAVE MARKETING CONTROL ONLY OVER THE TEA PRODUCTION OF THE CYOHOHA-RUKERI AND IMMEDIATE ENVIRONS. THE OPTION FOR THE COMMERCIAL COMPANY TO ACT AS SALES AGENT FOR THE TEA PRODUCTION OF PFUNDA AND MULINDI COULD ONLY BE EXERCISED SUBJECT TO AN AGREEMENT WITH OCIR/TEA. THIS WOULD BE DESIRABLE FROM WERTHEIM'S POINT OF VIEW IN ORDER FOR THE COMMERCIAL COMPANY TO START EARNING MONEY AS QUICKLY AS POSSIBLE FOR RE-INVESTMENT. WERTHEIM'S PROPOSAL HOWEVER IS NOT CONTINGENT UPON THIS. AS FOR THE COMMERCIAL COMPANY ACTING AS SALES AGENT FOR ALL OF THE RWANDAN TEA PRODUCTION, INCLUDING THE OTHER THREE OR FOUR FACTORIES, THIS COULD BE A SUBJECT FOR FUTURE CONSIDERATION BASED UPON THE GOR AND OCIR/TEA BEING SATISFIED WITH THE OPERATIONS OF THE COMMERCIAL COMPANY.

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2. THE FED ASSERTION THAT WERTHEIM WOULD BE IN A POSITION

TO CONTROL THE PRICE PAID TO RWANDAN TEA GROWERS IS INCORRECT. SALES PRICES FOR TEA IS DETERMINED BY THE WORLD MARKET. OCIR/GRB WOULD CONTINUE TO BE THE CONTROLLING AGENT AS TO THE PRICES PAID FOR GREEN LEAF TO GROWERS AS THEY ARE NOW. THE SALES COMPANY WOULD BE MARKETING AGENT

WHOSE INCOME IS DERIVED FROM THE COMMISSIONS ON TEA SALES- APPROXIMATELY 2 OF SALE PRICE. THE REASON FOR ESTABLISHING THE COMPANY WOULD BE TO PLACE TEA MARKETING OPERATIONS UNDER A SINGLE ENTITY CAPABLE OF GENERATING ADDITIONAL CAPITAL FOR INVESTMENT IN TEA PRODUCTION.

3. IT IS NOT CLEAR AS TO THE BASIS OF THE FED OBJECTION CONCERNING WERTHEIM CONTROL OF THE COMPANY. WERTHEIM IS WILLING TO ACCEPT MINORITY POSITION IN STOCKHOLDING BASED ON AMOUNT OF INVESTMENT BY OTHERS. IF DIVISION OF PROFITS IS THE FED CONCERN, THIS WOULD PRESENT NO PROBLEM. WERTHEIM DOES INSIST HOWEVER THAT IF HE IS SN A MINORITY STOCKHOLDER POSITION, HE WILL STILL HAVE OPERATIONAL CONTROL OF THE COMPANY. HE EXPLAINED THIS IN SOME DETAIL TO BENDA LIMA DURING THEIR CONVERSATION. PART OF ANY AGREEMENT BETWEEN WERTHEIM AND GOR WOULD BE MECHANISM WHEREBY IF GOR WAS DISSATISFIED WITH HIS OPERATION OF THE COMPANY, THEY COULD BUY HIM OUT.

4. SUGGEST EMBASSY REFER TO INITIAL STATEMENT TO GOR PREPARED BY WERTHEIM AT TIME OF ARRIVAL IN KIGALI LAYING OUT PROPOSAL AND DESCRIPTION OF COMMERCIAL COMPANY FUNCTION. RUSH

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## Message Attributes

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